

**THE OFFICE OF REGULATORY STAFF**

**DIRECT TESTIMONY**

**OF**

**WILLIE J. MORGAN, P.E.**

**JULY 1, 2013**



**DOCKET NO. 2013-42-S**

**Application of Palmetto Utilities,  
Incorporated for Adjustment of Rates  
and Charges for Sewer Service**

**DIRECT TESTIMONY OF WILLIE J. MORGAN, P.E.**

**FOR**

**THE OFFICE OF REGULATORY STAFF**

**DOCKET NO. 2013-42-S**

**IN RE: APPLICATION OF PALMETTO UTILITIES, INCORPORATED FOR  
ADJUSTMENT OF RATES AND CHARGES FOR SEWER SERVICE**

**Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND  
OCCUPATION.**

A. My name is Willie J. Morgan, and my business address is 1401 Main Street, Suite 900, Columbia, South Carolina 29201. I am employed by the South Carolina Office of Regulatory Staff ("ORS") as the Program Manager for the Water and Wastewater Department.

**Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND  
EXPERIENCE.**

A. I received a Bachelor of Science Degree in Engineering from the University of South Carolina in 1985 and a Master of Arts Degree in Management from Webster University in 2000. I am a licensed Professional Engineer registered in the State of South Carolina and have completed the Certified Public Manager Program. My professional affiliations include membership in the American Water Works Association, the South Carolina Section of the American Water Works Association and the National Society of Professional Engineers. Also, I have served as a Director for the Columbia Chapter of the South Carolina

1 Society of Professional Engineers. After graduating from the University of South  
2 Carolina, I was employed by the South Carolina Department of Health and  
3 Environmental Control ("DHEC") as an Environmental Engineer Associate.  
4 Later, I was promoted to the position of Permitting Liaison where I assisted  
5 industries and the public with environmental permitting requirements in the State  
6 of South Carolina. This assistance included providing information about air  
7 quality, solid and hazardous waste management, and water and wastewater  
8 management requirements. I was employed by DHEC for nineteen years. In  
9 October 2004, I joined ORS as the Program Manager for the Water and  
10 Wastewater Department.

11 **Q. HOW LONG HAVE YOU PROVIDED REGULATORY OVERSIGHT**  
12 **AND ENGINEERING SERVICES TO WATER AND WASTEWATER**  
13 **FACILITIES?**

14 A. I have over twenty-seven years of regulatory compliance experience  
15 providing assistance and regulatory oversight for water and wastewater facilities  
16 and services.

17 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**  
18 **PROCEEDING?**

19 A. The purpose of my testimony is to set forth the ORS staff findings relative  
20 to my review of the rate increase application submitted by Palmetto Utilities, Inc.  
21 ("PUI"). Specifically, I will focus on PUI's compliance with the Public Service  
22 Commission of South Carolina's ("Commission" or "PSC") rules and regulations,

1           ORS's Business Compliance Review of PUI's wastewater system, test-year  
2           revenue and proposed revenue, and performance bond requirement.

3   **Q.    ARE THE FINDINGS OF YOUR REVIEW CONTAINED IN THIS**  
4   **TESTIMONY AND ACCOMPANYING EXHIBITS?**

5   A.           Yes, my testimony and the attached exhibits detail ORS's findings and  
6           recommendations.

7   **Q.    PLEASE EXPLAIN HOW YOU COMPILED INFORMATION FOR YOUR**  
8   **TESTIMONY AND EXHIBITS.**

9   A.           I used ORS Business Office Compliance Review results, information  
10          provided by PUI in its application and additional information provided by PUI  
11          during the course of our business review and facility site inspections. I also  
12          reviewed PUI's financial statements and performance bond documents submitted  
13          to the Commission.

14   **Q.    PLEASE PROVIDE AN OVERVIEW OF THE LOCATIONS, SERVICE**  
15   **TYPES AND CUSTOMER BASE SERVED BY PUI.**

16   A.           PUI is a public utility providing wastewater collection and treatment  
17          service in portions of Kershaw and Richland Counties. PUI is currently a  
18          NARUC Class A wastewater utility according to wastewater revenues reported on  
19          its application for the test year ending September 30, 2012. According to PUI's  
20          application for the test year ending September 30, 2012, wastewater collection  
21          and treatment services were provided to 11,601 residential customers, and 550  
22          commercial customer accounts.

23   **Q.    PLEASE EXPLAIN EXHIBIT WJM-1 OF YOUR REPORT.**

1 A. Exhibit WJM-1, consisting of two pages, provides a summary of the  
2 Business Office Compliance Review completed by ORS. During the Business  
3 Office Compliance Review, ORS reviewed PUI's office records to determine  
4 compliance with Commission rules and regulations. PUI is in compliance with  
5 the Annual Report and Gross Receipts requirements.

6 **Q. PLEASE EXPLAIN EXHIBIT WJM-2 OF YOUR REPORT.**

7 A. Exhibit WJM-2 is a summary of the wastewater collection and treatment  
8 system facilities inspected by ORS on May 14, 2013 and May 31, 2013. During  
9 the ORS facility inspection, PUI appeared to be responsive to Department of  
10 Health and Environmental Control ("DHEC") and federal environmental  
11 requirements which are applicable to the operation of its wastewater collection  
12 and treatment system.

13 **Q. DOES ORS RECOMMEND ANY ADJUSTMENTS TO THE TEST YEAR**  
14 **REVENUES OF PUI?**

15 A. Yes. ORS completed a comprehensive review of PUI's customer  
16 wastewater revenue calculations for the test year. Based on that review, ORS  
17 made revenue adjustments totaling \$183,308, as shown on Audit Exhibit ICG-1,  
18 provided by ORS witness Ivana C. Gearheart. These revenue adjustments  
19 normalize the customer billing information provided by PUI and additional  
20 information reviewed by ORS.

21 **Q. EXPLAIN THE TEST YEAR REVENUE INFORMATION CALCULATED**  
22 **BY ORS FOR PUI.**

1 A. Exhibit WJM-3 summarizes PUI's service revenues for the test year  
2 ending September 30, 2012. ORS used PUI's current and proposed rates as  
3 reflected in the Application for each calculation. ORS calculated test year  
4 revenue based on customer billing information provided in the Application,  
5 information from site visits, and supplemental data provided by PUI. Based on  
6 our review, an adjustment to service revenue is required for the test year ending  
7 September 30, 2012. In summary, ORS calculated test year service revenue for  
8 residential and commercial wastewater operations, as adjusted, of \$6,653,592.  
9 For comparison purposes, ORS calculated PUI's proposed residential and  
10 commercial wastewater service revenues, as adjusted, of \$7,863,336. In addition,  
11 ORS calculated the residential and commercial wastewater service revenue as  
12 proposed in the Settlement Agreement as \$7,258,464.

13 ORS did not factor customer growth into its revenue comparisons. As  
14 shown in Exhibit WJM-4, the projected growth for PUI for water and wastewater  
15 service is approximately 0.18138%.

16 **Q. EXPLAIN THE LATE FEES IN THE OTHER WASTEWATER REVENUE**  
17 **CATEGORY ON EXHIBIT WJM-3.**

18 A. ORS proposes an adjustment to Late Fees revenue of \$5,025 to  
19 synchronize Late Fees revenue to the proposed Settlement Agreement. The detail  
20 for this adjustment is reflected in ORS Audit Exhibit ICG-1 provided by ORS  
21 witness Ivana C. Gearheart.

22 **Q. PLEASE EXPLAIN EXHIBIT WJM-5 OF YOUR REPORT.**

1 A. Exhibit WJM-5 is a summary of PUI's current PSC approved rates,  
2 proposed rates under their Application, and proposed settlement rates.

3 **Q. PLEASE EXPLAIN THE STATUS OF THE PERFORMANCE BOND FOR**  
4 **PUI.**

5 A. PUI has a current performance bond for utility operations in the form of  
6 Certificate of Deposit ("CD") from First Community Bank on file with the PSC in  
7 the amount of \$250,000 and a CD from Bank of America on file with the PSC in  
8 the amount of \$100,000. Based on the expenses from the test year and using the  
9 criteria set forth in 10 S.C. Code Regs. 103-512.3.1, ORS determined that the face  
10 amount of PUI's bond should be \$350,000 for wastewater operations (Exhibit  
11 WJM-6). ORS respectfully requests that the Commission require PUI to maintain  
12 its current bonding amount of \$350,000 as it is in the public interest for PUI to  
13 obtain a bond that satisfies the criteria set forth in S.C. Code Ann. Section 58-5-  
14 720 (Supp. 2012).

15 **Q. ON WHAT BASIS DOES ORS MAKE DEPRECIABLE SERVICE LIFE**  
16 **RECOMMENDATIONS?**

17 A. ORS recommendations are based on the conclusions outlined in the  
18 Florida Public Service Commission Water and Wastewater System Regulatory  
19 Law as recommended by the NARUC staff. ORS's approach and conclusions  
20 made concerning depreciation are consistent with the Public Utility Depreciation  
21 Practices manual as published by NARUC in 1996. No adjustments were made  
22 since the impact from the use of the various assets was considered normal.

23 **Q. PLEASE EXPLAIN EXHIBIT WJM-7.**

1 A. Exhibit WJM-7 identifies the ten customers that will be most impacted by  
2 the rates proposed by PUI and the proposed Settlement Agreement. Their  
3 individual monthly service bills range from \$3,623 per month to \$8,283 per  
4 month under current approved rates. At the rates proposed by PUI, their monthly  
5 service bills would range from \$4,282 per month to \$9,789 per month. At the  
6 rates proposed in the Settlement Agreement, their monthly service bills would  
7 range from \$3,953 to \$9,036. It should be noted that PUI has been under-billing  
8 several commercial customers.

9 **Q. PLEASE PROVIDE AN OVERVIEW OF THE SETTLEMENT**  
10 **AGREEMENT REACHED BY THE PARTIES OF RECORD.**

11 A. Following extensive discussions, ORS and PUI have determined that their  
12 interests, as well as the interest of the public, would be best served by settling all  
13 pending issues between them in this proceeding.

14 It is the position of ORS that the Settlement Agreement, as presented to  
15 this Commission, is a fair and reasonable resolution of all issues in this  
16 proceeding. Further, the Settlement Agreement represents the public interest as it  
17 preserves the balance referred to in S.C. Code Ann. Section 58-4-10:

18 ... 'public interest' means a balancing of the following:

- 19
- 20 (1) Concerns of the using and consuming public with  
21 respect to public utility services, regardless of the  
22 class of customer;
  - 23
  - 24 (2) Economic development and job attraction and  
25 retention in South Carolina; and
  - 26
  - 27 (3) Preservation of the financial integrity of the State's public utilities  
28 and continued investment in and maintenance of utility facilities so  
29 as to provide reliable and high quality utility services.



1                   ORS and PUI agree that the proposed increase in rates and charges  
2                   resulting from the Settlement Agreement is fair and reasonable to both the  
3                   customer and PUI.

4   **Q.     DOES THIS CONCLUDE YOUR TESTIMONY?**

5   **A.             Yes it does.**



### ORS BUSINESS OFFICE COMPLIANCE REVIEW

Utility: Palmetto Utilities, Inc.

Inspector: Willie Morgan, Hannah Majewski, Ivana Gearheart, Matthew Schellinger

Office: 1710 Woodcreek Farms Rd., Elgin, SC

Utility Type: **Wastewater**

Date: May 14, 2013

Company Representative: Donna Tuttle

#	Compliance Regulation	In Compliance	Out of Compliance	Comments
1	All records and reports available for examination in accordance with Rule R.103-510.	X		
2	Complaint records maintained in accordance with R.103-516	X		
3	Utility's rates, its rules and regulations, and its up-to-date maps and plans available for public inspection in accordance with R.103-530.	X		
4	Established procedures to assure that every customer making a complaint is made aware that the utility is under the jurisdiction of the South Carolina Public Service Commission and that the customer has the right to register the complaint in accordance with R.103-530.	X		Customers are advised to contact ORS if not satisfied with utility's resolution. In addition, customers are advised of the ORS at town hall meetings and a link to ORS is on Ni-America's website
5	Deposits charged within the limits established by R.103-531.	X		No deposits charged
6	Timely and accurate bills being rendered to customers in accordance with R.103-532.	X		Bills processed in-house and mailed between the 1 <sup>st</sup> and 4 <sup>th</sup> of the month; customers bills pro-rated if services begins or discontinues prior to billing; billed in arrears
7	Bill forms in accordance with R.103-532.	X		
8	Adjustments of bills handled in accordance with R.103-533	X		
9	Policy for customer denial or discontinuance of service in accordance with R.103-535.	X		
10	Notices sent to customers prior to termination in accordance with Rule R.103-535.	X		
11	Notices filed with the Commission of any violation of PSC or DHEC rules which affect service provided to its customers in accordance with rule R.103-514-C.	X		

#	Compliance Regulation	In Compliance	Out of Compliance	Comments
12	Utility has adequate means (telephone, etc.) whereby each customer can contact the water and/or wastewater utility at all hours in case of emergency or unscheduled interruptions or service in accordance with R.103-530.	X		24 hour answering service with utility on-call list
13	Records maintained of any condition resulting in any interruption of service affecting its entire system or major division, including a statement of time, duration, and cause of such an interruption in accordance with R.103-514.	X		
14	Utility advised the Commission, in accordance with Rule 103-512 of the name, title, address and telephone number of the person who should be contacted in connection with general management duties, customer relations, engineering operations, emergencies during non-office hours.	X		
15	Company verified the maps on file with the Commission include all the service area of the company.	X		
16	Number of customers the company has at present time.	X		ERCs - 16,802 Customers - 12,151
17	Company has a current performance bond on file with the Commission. Amount of bond: <b>\$350,000</b>	X		
18	Utility maintains a documented Safety Program.	X		
19	Utility maintains a documented Emergency Response plan.	X		
20	Utility maintains a documented Preventative Maintenance plan.	X		
21	Utility submitted a current Annual Report.	X		Utility files Annual Report on FY
22	Utility is in compliance with Gross Receipts reporting and payment regulations.	X		



## ORS WASTEWATER SYSTEM INSPECTION REPORT

### Inspection Overview

Date Inspected: May 14, 2013 and May 31, 2013

Inspector Name: Willie Morgan

Docket Number: 2013-42-S

Utility Name: Palmetto Utilities, Inc.

Utility Representative: Craig Sherwood

Number of Customers: 12,151 (16,802 ERCs)

System Type (collection, force main, lagoon, etc): collection, biological treatment

Location of System: Northeast Columbia area

Location of Utility Office: 1710 Woodcreek Farms, Elgin, SC

Treatment Type: biological

Permit #: ND0068411

Last SC DHEC Compliance Rating: Satisfactory

Frequency checked by WWTF Operator: daily

Drinking Water Provider: City of Columbia, Town of Winnsboro, individual wells

### Inspection Results

	System Components Inspected	Compliance		Comments
		Yes	No	
1	Chlorinator	X		
2	Other chemicals in use	X		
3	Aerators present	X		
4	Plant fenced and locked	X		
5	Warning Signs Visible	X		
6	Fence in good condition	X		
7	Dikes in good condition	X		
8	Odor non-existent or limited	X		
9	Grass mowed	X		
10	Duckweed/Algae acceptable	X		
11	Grease build-up acceptable	X		
12	Plant free of debris	X		
13	Effluent Color acceptable	X		clear
14	Lift Stations present	X		56; 5 with charcoal filters for odor control
15	Failure Warning System adequate	X		
16	Electric Wiring adequate	X		
17	System free of leaks	X		
18	System free of overflows	X		
19	Access road adequate	X		
20	Ability for service area to expand	X		

**Additional Comments:** Treated wastewater is discharged to 3 of 21 sand infiltration beds

**Palmetto Utilities, Inc. Test Year Revenues at Current Rates**

Service Type	Classification	Service Units	Fee per Unit	Test Year Calculated Revenues
SEWER	Residential (including multiple family dwellings)	11,828	\$33.00	\$4,683,888
	<b>TOTAL RESIDENTIAL SEWER SERVICE</b>	<b>11,828</b>		<b>\$4,683,888</b>
	Commercial and Industrial	4,974	\$33.00	\$1,969,704
	<b>TOTAL COMMERCIAL SEWER SERVICE</b>	<b>4,974</b>		<b>\$1,969,704</b>
<b>TOTAL SEWER SERVICE REVENUE</b>		<b>16,802</b>		<b>\$6,653,592</b>
Late Fees				\$55,280
Notification Fees				\$125,200
Customer Account Charge				\$15,700
Reconnect Fees				\$17,210
Returned Check Fees				\$3,375
Tap Fees (non-CIAC portion)				\$115,058
<b>TOTAL OTHER REVENUE</b>				<b>\$331,823</b>
<b>TOTAL OPERATING REVENUE</b>				<b>\$6,985,415</b>

**Palmetto Utilities, Inc. Revenues at Proposed Rates in Original Application**

Service Type	Classification	Service Units	Fee per Unit	Test Year Proposed Revenues	Increased Amount	% Increase
SEWER	Residential (including multiple family dwellings)	11,828	\$39.00	\$5,535,504	\$851,616	18.2%
	<b>TOTAL RESIDENTIAL SEWER SERVICE</b>	<b>11,828</b>		<b>\$5,535,504</b>	<b>\$851,616</b>	<b>18.2%</b>
	Commercial and Industrial	4,974	\$39.00	\$2,327,832	\$358,128	18.2%
	<b>TOTAL COMMERCIAL SEWER SERVICE</b>	<b>4,974</b>		<b>\$2,327,832</b>	<b>\$358,128</b>	<b>18.2%</b>
<b>TOTAL SEWER SERVICE REVENUE</b>		<b>16,802</b>		<b>\$7,863,336</b>	<b>\$1,209,744</b>	<b>18.2%</b>
Late Fees				\$65,331	\$10,051	18.2%
Notification Fees				\$125,200	\$0	0.0%
Customer Account Charge				\$15,700	\$0	0.0%
Reconnect Fees				\$17,210	\$0	0.0%
Returned Check Fees				\$3,375	\$0	0.0%
Tap Fees (non-CIAC portion)				\$115,058	\$0	0.0%
<b>TOTAL OTHER REVENUE</b>				<b>\$341,874</b>	<b>\$10,051</b>	
<b>TOTAL OPERATING REVENUE</b>				<b>\$8,205,210</b>	<b>\$1,219,795</b>	<b>17.5%</b>

**Palmetto Utilities, Inc. Revenues at Proposed Settlement Rates**

Service Type	Classification	Service Units	Fee per Unit	Proposed Settlement Revenues	Increase from Test Year Calculated Revenues	% Increase	Decrease from Proposed Rates in Application
SEWER	Residential (including multiple family dwellings)	11,828	\$36.00	\$5,109,696	\$425,808	9.1%	(\$425,808)
	<b>TOTAL RESIDENTIAL SEWER SERVICE</b>	<b>11,828</b>		<b>\$5,109,696</b>	<b>\$425,808</b>	<b>9.1%</b>	<b>(\$425,808)</b>
	Commercial and Industrial	4,974	\$36.00	\$2,148,768	\$179,064	9.1%	(\$179,064)
	<b>TOTAL COMMERCIAL SEWER SERVICE</b>	<b>4,974</b>		<b>\$2,148,768</b>	<b>\$179,064</b>	<b>9.1%</b>	<b>(\$179,064)</b>
<b>TOTAL SEWER SERVICE REVENUE</b>		<b>16,802</b>		<b>\$7,258,464</b>	<b>\$604,872</b>	<b>9.1%</b>	<b>(\$604,872)</b>
Late Fees				\$60,305	\$5,025	9.1%	(\$5,026)
Notification Fees				\$125,200	\$0	0.0%	\$0
Customer Account Charge				\$15,700	\$0	0.0%	\$0
Reconnect Fees				\$17,210	\$0	0.0%	\$0
Returned Check Fees				\$3,375	\$0	0.0%	\$0
Tap Fees (non-CIAC portion)				\$115,058	\$0	0.0%	\$0
<b>TOTAL OTHER REVENUE</b>				<b>\$336,848</b>	<b>\$5,025</b>		<b>(\$5,026)</b>
<b>TOTAL OPERATING REVENUE</b>				<b>\$7,595,312</b>	<b>\$609,897</b>	<b>8.7%</b>	<b>(\$609,898)</b>

**Palmetto Utilities, Inc.**  
**Docket No. 2013-42-S**  
**Customer Growth Analysis**

**Exhibit WJM-4**

<b>Date</b>	<b>Sewer Customers</b>	<b>Total Customers</b>
9/30/2011	12,107	12,107
9/30/2012	12,151	12,151
Average	12,129	12,129

**Growth Factor for Sewer Operations**

<b>Date</b>	<b># of Customers</b>	
9/30/2012	12,151	
Average	12,129	
Growth Factor	0.0018138	0.18138%

**SEWER RATE SCHEDULE**

1. <b><u>MONTHLY CHARGE</u></b>	Current	Proposed Application	Proposed Settlement
a. Residential – Monthly charger per single family house, condominium, villa or apartment unit	\$33.00	\$39.00	\$36.00
b. Commercial – Monthly charge per single family equivalent	\$33.00	\$39.00	\$36.00
c. The monthly charges listed above are minimum charges and shall apply even if the equivalency rating is less than one (1). If the equivalency rating is greater than one (1), then the monthly charges may be calculated by multiplying the equivalency rating by the monthly charge.			

Commercial customers are those not included in the residential category above and include, but are not limited to, hotels, stores, restaurants, offices, industry, etc.

The Utility may, for the convenience of the owner, bill a tenant in a multi-unit building, consisting of four or more residential units which is served by a master sewer meter or a single sewer connection. However, in such cases all arrearages must be satisfied before service will be provided to a new tenant or before interrupted service will be restored. Failure of an owner to pay for services rendered to a tenant in these circumstances may result in service interruptions.

**2. NONRECURRING CHARGES**

- |   |          |
|---|----------|
| a. Sewer service connection charge per single-family equivalent | \$250.00 |
| b. Plant Impact fee per single-family equivalent                | \$800.00 |
- c. The nonrecurring charges listed above are minimum charges and apply even if the equivalency rating is less than one (1). If the equivalency rating is greater than one (1), then the proper charge may be obtained by multiplying the equivalency rating by the appropriate fee. These charges apply are due at the time new service is applied for, or at the time connection to the sewer system is requested.

**3. BULK TREATMENT SERVICES**

The utility will provide bulk treatment services to Richland County ("County") upon request by the county. The rates for such bulk treatment services shall be as set forth above for both monthly charges and nonrecurring charges per single-family equivalent. The County shall certify to the Utility the number of units or taps (residential and commercial) which discharge wastewater into the County's collection system and shall provide all other information required by the Utility in order that the Utility may accurately determine the proper charges to be made to the County. The County shall insure that all commercial customers comply with the Utility's toxic and pretreatment effluent guidelines and refrain from discharging any toxic or hazardous materials or substances into the collection system. The County will maintain the authority to interrupt service immediately where customers violate the Utility's toxic or pretreatment effluent standards of discharge prohibited wastes into the sewer system. The Utility shall have the unfettered right to interrupt bulk service to the County if it determines that forbidden wastes are being or are about to be discharged into the Utility's sewer system.

The County shall pay for all costs of connecting its collection lines into the Utility's mains, installing a meter of quality acceptable to the Utility to measure flows, and constructing a sampling station according to the Utility's construction requirements.

**4. NOTIFICATION, ACCOUNT SET-UP AND RECONNECTION CHARGES**

- a. Notification Fee: A fee of \$25.00 shall be charged each customer to whom the Utility mails the notice as required by Commission Rule R.103-535.1 prior to service being discontinued. This fee assesses a portion of the clerical and mailing costs of such notices to the customers creating that cost.
- b. Customer Account Charge: A fee of \$20.00 shall be charged as a one-time fee to defray the costs of initiating service.
- c. Reconnection charges: In addition to any other charges that may be due, a reconnection fee of \$250.00 shall be due prior to the Utility reconnecting service which has been disconnected for any reason set forth in Commission Rule R.103-532.4. Where an elder valve has been previously installed, a reconnection charge of thirty-five dollars (\$35.00) shall be due. The amount of the reconnection fee shall be in accordance with R. 103-532.4 and shall be changed to conform with said rule as the rule is amended from time to time.

**5. BILLING CYCLE**

Recurring charges will be billed monthly. Nonrecurring charges will be billed and collected in advance of service being provided.



**6. LATE PAYMENT CHARGES**

Any balance unpaid within twenty-five (25) days of the billing date shall be assessed a late payment charge of one and one-half (1½%) percent.

**7. TOXIC AND PRETREATMENT EFFLUENT GUIDELINES**

The Utility will not accept or treat any substance or material that has been defined by the United States Environmental Protection Agency ("EPA") or the South Carolina Department of Health and Environmental Control ("DHEC") as a toxic pollutant, hazardous waste, or hazardous substance, including pollutants falling within the provisions of 40 CFR §§ 129.4 and 401.15. Additionally, pollutants or pollutant properties subject to 40 CFR §§ 403.5 and 403.6 are to be processed according to the pretreatment standards applicable to such pollutants or pollutant properties, and such standards constitute the Utility's minimum pretreatment standards. Any person or entity introducing any such prohibited or untreated materials into the Company's sewer system may have service interrupted without notice until such discharges cease, and shall be liable to the Utility for all damages and costs, including reasonable attorney's fees, incurred by the Utility as a result thereof.

**8. PROPOSED REQUIREMENTS AND CHARGES PERTAINING TO SATELLITE SYSTEMS**

- a. Where there is connected to the Utility's system a satellite system, as defined in DHEC Regulation 61-9.505.8 or other pertinent law rule or regulation, the owner or operator of such satellite system shall operate and maintain same in accordance with all applicable laws, rules, or regulations.
- b. The owner or operator of a satellite system shall construct, maintain, and operate such satellite system in a manner that the prohibited or untreated materials referred to in Section 6 of this rate schedule (including but not limited to Fats, Oils, Sand or Grease), storm water, and groundwater are not introduced into the Utility's system.
- c. The owner or operator of a satellite system shall provide Utility with access to such satellite system and the property upon which it is situated in accordance with the requirements of Commission Regulation 103-537.
- d. The owner or operator of a satellite system shall not less than annually inspect such satellite system and make such repairs, replacements, modifications, cleanings, or other undertakings necessary to meet the requirements of this Section 7 of the rate schedule. Such inspection shall be documented by written reports and video recordings of television inspections of lines and a copy of the

inspection report received by the owner or operator of a satellite system, including video of the inspection, shall be provided to the Utility. Should the owner or operator fail to undertake such inspection, Utility shall have the right to have service interrupted without notice until such inspection is conducted, and shall be liable to the Utility for all damages and costs, including reasonable attorney's fees, incurred by the Utility as a result thereof.

- e. Should Utility determine that the owner or operator of a satellite system has failed to comply with the requirements of this Section 7 of the rate schedule, with the exception of the requirement that a satellite system be cleaned, the Utility may initiate disconnection of the satellite system in accordance with the Commission's regulations, and disconnection to endure until such time as said requirements are met and all charges, costs and expenses to which Utility is entitled are repaid. With respect to the cleaning of a satellite system, the owner or operator of a satellite system shall have the option of cleaning same within five (5) business days after receiving written notice from Utility that an inspection reveals that a cleaning is required. Should the owner or operator of such a satellite system fail to have the necessary cleaning performed within that time frame, the Utility may initiate disconnection of the satellite system in accordance with the Commission's regulations, and disconnection to endure until such time as said requirements are met and all charges, costs and expenses to which Utility is entitled are repaid

## **9. CONSTRUCTION STANDARDS**

The Utility requires all construction to be performed in accordance with generally accepted engineering standards, at a minimum. The Utility from time to time may require that more stringent construction standards be followed in constructing parts of the system.

## **10. EXTENSION OF UTILITY SERVICE LINES AND MAINS**

The Utility shall have no obligation at its expense to extend its utility service lines or mains in order to permit any customer to discharge acceptable wastewater into its sewer system. However, anyone or any entity which is willing to pay all costs associated with extending an appropriately sized and constructed main or utility service line from his/her/its premises to an appropriate connection point on the Utility's sewer system may receive service, subject to paying the appropriate fees and charges set forth in this rate schedule, complying with the guidelines and standards hereof, and, where appropriate, agreeing to pay an acceptable amount for multi-tap capacity.

## **11. CONTRACTS FOR MULTI-TAP CAPACITY**

The Utility shall have no obligation to modify or expand its plant, other facilities or mains to treat the sewerage of any person or entity requesting multi-taps (a commitment for five or more taps) unless such person or entity first agrees to pay an acceptable amount to the Utility to defray all or a portion of the Utility's costs to make modifications or expansions thereto.

## **12. SINGLE FAMILY EQUIVALENT**

A Single Family Equivalent (SFE) shall be determined by using the South Carolina Department of Health and Environmental Control Guidelines for Unit Contributory Loading for Domestic Wastewater Treatment Facilities 25 S.C. Code Ann. Regs. 61-67 Appendix A (Supp. 2011), as may be amended from time to time. Where the Utility has reason to suspect that a person or entity is exceeding the design loadings established by the Guidelines for Unit Contributory Loadings for Domestic Wastewater Treatment Facilities, the Utility shall have the right to request and receive water usage records from that person or entity and/or the provider of water to such person or entity. Also, the Utility shall have the right to conduct an "on premises" inspection of the customer's premises. If it is determined that actual flows or loadings are greater than the design flows or loadings, then the Utility shall recalculate the customer's equivalency rating based on actual flows or loadings and thereafter bill for its services in accordance with such recalculated loadings.

2013-42-S

Performance Bond Requirement

	Palmetto Utilities, Inc. - Wastewater			
Bond Value Components	Application Per Books	After Accounting & Pro forma Adjustments	After Applicant's Proposed Increase	After Proposed Settlement Increase
Total Pumping Expenses	\$1,011,986	\$960,554	\$960,554	\$960,554
Total Treatment and Disposal Expenses	\$885,238	\$932,665	\$932,665	\$932,665
Total Customer Accounts Expenses	\$436,806	\$411,857	\$422,312	\$416,497
Total Administrative and General Exp.	\$1,270,421	\$1,768,144	\$1,768,144	\$1,768,144
Total Taxes Other Than Income Taxes	\$379,036	\$410,826	\$422,460	\$416,532
Total Income Taxes	(\$509,376)	\$626,486	\$1,082,091	\$850,119
Total Interest Expense	\$585,172	\$202,689	\$202,692	\$202,689
Bond Value Requirement	\$4,059,283	\$5,313,221	\$5,790,918	\$5,547,200
Current Performance Bond Structure (1)	Bond Value	Expiration Date		
Certificate of Deposit	\$350,000	12/10/2013		
Total Financial Assurance	\$350,000			

(1) Certificate of Deposit secures performance bond of \$350,000 for wastewater operations.

Palmetto Utilities, Inc.  
Docket No. 2013-42-S  
Highest Top 10 Billed Customers

Exhibit WJM-7

<u>Customer Name</u>	<u>ERC's</u>	<u>Service Address</u>	<u>Customer Type</u>	<u>Monthly Charge at Current Rate</u>	<u>Monthly Charge at Proposed Rate in Original Application</u>	<u>Monthly Charge at Proposed Settlement Rate</u>
Villas at Spears Creek	251.00	325 SPEARS CREEK CHURCH	Commercial	\$8,283	\$9,789	\$9,036
Palms / DNB Columbia, LLC	250.00	1155 CLEMSON FRONTAGE R	Commercial	\$8,250	\$9,750	\$9,000
Legacy Sandhill Apt LLC	241.00	10682 TWO NOTCH ROAD #1	Commercial	\$7,953	\$9,399	\$8,676
The Reserve @ Lake Caroli	192.00	4920 HARDSCRABBLE ROAD	Commercial	\$6,336	\$7,488	\$6,912
Rice Terrace Apartments	183.00	Rice Terrace Drive	Commercial	\$6,039	\$7,137	\$6,588
Woodcreek Farms Apartment	178.00	751 JACOBS MILL POND RD	Commercial	\$5,874	\$6,942	\$6,408
VAS Condominiums, LLC	160.00	660-66 PROMENADE PLACE	Commercial	\$5,280	\$6,240	\$5,760
Spring Valley Apart C	153.04	127 SPARKLEBERRY LANE	Commercial	\$5,050	\$5,969	\$5,509
Verizon Wireless	143.75	565 SPEARS CREEK CHURCH	Commercial	\$4,744	\$5,606	\$5,175
Blythewood High School	109.80	10901 WILSON BLVD	Commercial	\$3,623	\$4,282	\$3,953